

June 25, 2015

**ACCEPTED/FILED**

**JUN 25 2015**

Federal Communications Commission  
Office of the Secretary

**VIA HAND DELIVERY AND ELECTRONIC FILING**

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: **REDACTED – FOR PUBLIC INSPECTION**  
**In the Matter of Applications of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership for Consent to the Transfer of Control of Licenses and Authorizations, MB Docket No. 15-149**

Dear Ms. Dortch:


On behalf of Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership (together “Applicants”), enclosed please find two (2) copies of the fully redacted version of the Applicants’ Public Interest Statement, including eight (8) exhibits to the PIS (“Exhibits”) (collectively, the “Application”). Unredacted, Highly Confidential versions of the Application are being filed simultaneously with the Office of the Secretary under separate cover.


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Ms. Marlene Dortch  
June 25, 2015  
Page 2

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Enclosures

**BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554**

Application of Charter Communications, Inc.,  
Time Warner Cable Inc., and  
Advance/Newhouse Partnership  
For Consent to the Transfer of Control of  
Licenses and Authorizations

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WASHINGTON, D.C. 20554**

In the Matter of

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*Federal Communications Commission  
Office of the Secretary*

**PUBLIC INTEREST STATEMENT**

**June 25, 2015**

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**PUBLIC INTEREST STATEMENT**

**I. INTRODUCTION**

Charter may not be a household name for all Americans, but it has developed into an industry leader by implementing customer- and Internet-friendly business practices. In this Application, Charter seeks to extend its suite of services to millions of Americans now served by Time Warner Cable and Bright House Networks, while also building on the best of Time Warner Cable's operations momentum and diversity initiatives and Bright House Networks' customer service expertise.

Charter has implemented a number of customer-friendly practices. For example, in nearly 100% of its service areas, Charter's lowest broadband speed tier sold is an extremely fast 60 Megabits per second ("Mbps"), which, among other things, facilitates several people in each household to watch high-definition online video while making other uses of the Internet at the same time. Charter offers that speed at a much lower price than other companies do, with simple, uniform pricing across its service area and without any data caps, usage-based pricing, or modem fees. Charter also does not offer plans with separate, additional fees common in the industry, such as a federal Universal Service Fund ("USF") fee, state USF fee, subscriber line fee, or E911 fee. Charter offers a compelling stand-alone broadband service for those not interested in cable TV and has a history of investing significantly in capacity for interconnection. It has been involved in no notable disputes over traffic management and has long practiced network neutrality. Charter's business strategy is to make money by serving and retaining a large percentage of households in its service areas through these best-in-class practices.

Charter, Time Warner Cable, and Bright House Networks aim to extend this model through this proposed merger. Under the leadership of Charter's management team, the merged company will have both the incentives and resources to double down on Charter's existing pro-

customer and pro-broadband model and extend it to Time Warner Cable and Bright House Networks' significantly larger footprint. Building on Charter's successful pro-customer strategies (in addition to the competitive forces at work in the marketplace), we are making legally enforceable commitments to assure this Commission and our customers that this merger will deliver meaningful public interest benefits.

Charter Communications, Inc., Time Warner Cable Inc., and Advance/Newhouse Partnership (collectively, the "Applicants") therefore respectfully seek the Commission's approval for the transfer of control of various licenses and authorizations held by Charter Communications, Inc., and its subsidiaries; Time Warner Cable Inc. and its subsidiaries; and Advance/Newhouse's subsidiary, Bright House Networks, LLC, and its subsidiaries, pursuant to Sections 214 and 310(d) of the Communications Act and the Commission's rules.<sup>1</sup> These transfers are a necessary component of the Applicants' transaction through which Charter, Time Warner Cable, and Bright House Networks will merge into New Charter (the "Transaction")—creating an advanced, growth-oriented broadband and cable company.<sup>2</sup>

The Transaction will produce many public interest benefits.

***Faster Internet experience at a better value.*** New Charter will raise the minimum broadband speed offered to 60 Mbps throughout the merged company's footprint, with pricing based on Charter's current model, which is less expensive for consumers than Time Warner

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<sup>1</sup> See 47 U.S.C. §§ 214, 310(d). Charter believes the ownership changes impacting its own licenses and authorizations constitute, at most, *pro forma* transfers of control. Nevertheless, because Charter is filing at the FCC under the FCC's substantial change of control procedures for all FCC licenses held by Time Warner Cable and Bright House Networks in connection with these related transactions, Charter is also submitting its applications for its own licenses under the same procedures to facilitate the Commission's review.

<sup>2</sup> In addition to regulatory approvals, the Transaction is subject to a number of conditions, including the approval by Charter and Time Warner Cable shareholders in accordance with Delaware law. Although the Charter-Time Warner Cable and Charter-Bright House Networks transactions are not exclusively contingent on each other, the parties are filing a consolidated public interest statement for the Commission's and other parties' convenience in light of the many similar issues arising from the two transactions.



Cable's and Bright House Networks' comparable offerings.<sup>3</sup> Consistent with Charter's current practices, we intend to offer these broadband services on a stand-alone as well as bundled basis, without data caps, usage-based pricing, modem fees, or early termination fees. We will also continue the rollout of Time Warner Cable's ultra-high-speed 300 downstream Mbps package consistent with Time Warner Cable's existing deployment plans. We will expand broadband functionality and data options for consumers on their mobile devices by investing significantly in both in-home and out-of-home WiFi networks.

*Continued commitment to a free and open Internet.* New Charter will not block or throttle Internet traffic or engage in paid prioritization, whether or not the FCC's *Open Internet Order* is upheld in court. Also in line with that Order, we agree to submit interconnection disputes to the FCC. Indeed, we commit to *go farther than the FCC's Order*, agreeing not to engage in specific practices such as usage-based billing, which thereby precludes zero-rating.

*A quicker rollout of advanced video technology.* While Charter is 99% all-digital, Time Warner Cable expects to be all-digital in only about half of its footprint by the end of 2015, and Bright House Networks is currently all-digital in only about [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] of its footprint. New Charter will invest in an all-digital system in Time Warner Cable and Bright House Networks' service areas, completing the digitization within 30 months of closing,<sup>4</sup> thereby freeing up capacity for more high definition and on-demand channels and increased broadband speeds. Our customers will transition to Charter's new cloud-based guide, which will offer intuitive search and

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<sup>3</sup> A small portion (less than 1%) of New Charter that is not interconnected to the New Charter network may be offered at lower speeds. In addition, New Charter will make available a separate low-income service that will build upon Bright House's low-income broadband program by raising the speed and expanding eligibility of the program while still offering a discounted rate.

<sup>4</sup> It is possible that systems serving fewer than 1% of homes may not be taken all-digital due to the challenges in interconnecting to the remaining New Charter network.

discovery and works on old and new two-way set-top boxes so that customers do not require a technician to visit or pay additional costs for a new box to receive the new functionality.

***More Competition for Enterprise Customers and Advertising Services.*** By increasing the geographic reach and density of New Charter's presence in multiple regions, the merger will enable us to compete more effectively with large phone companies for large enterprise and other multi-location customers who need connectivity in disparate locations or to a more complete regional footprint. Similarly, this increased density will make New Charter more attractive to advertisers and will bolster the effectiveness of our own marketing.

***An Engine for New Investment and Jobs.*** The Transaction will lower the per-customer fixed costs of investments, facilitating the deployment of new technology and advanced infrastructure. In addition, substantial synergies will reduce the merged company's costs, providing additional resources to invest productively. Recognizing the negative view that many people have of cable customer service, we are focused on improving New Charter's customer service, and will leverage the Transaction to better our relationships with our customers across our footprint. As part of our effort, New Charter will invest in more jobs in the United States, by hiring and training thousands of new employees for its customer service call centers and field technician operations. We will also return Time Warner Cable call center jobs to the United States.

***More Innovation in the Technology Stack.*** New Charter's increased scale—which will make the company the number two wireline broadband provider and number three video provider in the country—will benefit consumer premises equipment ("CPE") manufacturers, edge providers, and traditional video programmers by creating a new national platform to drive innovation, serving as a counterweight to the existing players with national scale.



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***Exceptional Community Initiatives.*** Finally, the combined company will build on each individual company's commitments to good corporate citizenship, including by expanding Time Warner Cable's commitment to diversity and inclusion and Bright House Networks' initiatives to expand broadband adoption and close the digital divide—all strongly rooted in the communities that New Charter will serve.

In contrast to these substantial public interest benefits, the Transaction will produce no public interest harms.

***No Horizontal Concerns.*** The Transaction raises no horizontal concerns, as the merging companies do not compete in the same geographic markets. Indeed, significantly less than 1% of the census blocks that make up New Charter's footprint contain customers of more than one of the merging companies.<sup>5</sup> New Charter will continue to face significant competition from wireline competitors (*e.g.*, AT&T, Verizon, Frontier, and CenturyLink) across the merged footprint, even apart from other forms of competition (*e.g.*, wireless and satellite providers).<sup>6</sup> Moreover, New Charter will add a substantial presence<sup>7</sup> in only three designated market areas ("DMAs") where Time Warner Cable or Bright House Networks do not already have a presence (Boston, Atlanta, and Minneapolis), and in each, Comcast will remain by far the largest player.

***No Harm to Competition with Online Video Distributors, Video Programmers, or MVPDs.*** New Charter will not have the incentive to harm online video distributors, video programmers, or MVPDs. New Charter's future success depends far more on its broadband

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<sup>5</sup> It is quite likely that in many of the overlapping census blocks, the merging companies' systems do not overlap. Rather, the companies likely serve customers in different geographic portions of the census blocks, themselves.

<sup>6</sup> Cf. BroadbandUSA, *June 30, 2014 National Broadband Map Datasets*, NTIA, [http://www2.ntia.doc.gov/June\\_2014\\_datasets](http://www2.ntia.doc.gov/June_2014_datasets) (last accessed June 23, 2015). Cf. also Declaration of Dr. Fiona Scott Morton, Theodore Nierenberg Professor of Economics at the Yale School of Management and Senior Consultant at Charles River Associates, ¶ 25 (June 24, 2015) ("Dr. Scott Morton Decl.") (attached as Exhibit D) (noting that "companies like Google, AT&T, Cox, CenturyLink[,] and others have announced their intention to invest in gigabit Internet services").

<sup>7</sup> We define "substantial presence" as exceeding 60,000 video subscribers.

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business than its video business, based on broadband's higher gross margin percentages and growth trajectory, as explained below and in Dr. Fiona Scott Morton's declaration.<sup>8</sup> Therefore, New Charter will have every incentive to *promote* online video distributors and other edge providers, thereby increasing demand for broadband, which will expand broadband subscribership. In addition, the merged entity will have no incentive to disadvantage online or traditional programmers to protect revenues from its own programming interests, as Charter and Bright House Networks do not own any broadcast or cable TV interests outside of local news, sports, and public affairs programs, and Time Warner Cable owns only local channels plus a few regional sports networks ("RSNs"). New Charter will have at least 2.5 million *fewer* broadband subscribers than Comcast serves *today*, serving approximately 21% of wireline broadband customers<sup>9</sup> and less than 30%<sup>10</sup> of wireline broadband customers receiving speeds equal to or greater than 25 Mbps downstream and three Mbps upstream.<sup>11</sup>

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<sup>8</sup> See Dr. Scott Morton Decl. ¶¶ 41-43.

<sup>9</sup> See *id.*, ¶ 24, tbl. 3.

<sup>10</sup> This number is a conservative estimate; the exact percentage cannot be known at this time because the Applicants do not have knowledge of the total number of 25/3+ Mbps subscribers nationwide. As of December 31, 2014, Charter had [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] 25/3+ Mbps subscribers, Time Warner Cable had [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] and Bright House had [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]. The 25/3+ Mbps nationwide total for 2013, the last period for which this data is publicly available, is 29.4 million subscribers. Adding the increase in 25/3+ Mbps subscribers between 2013 and 2014 for just the three Applicants brings the nationwide total to [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]. This yields a percentage of the total served by the Applicants of [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL]. And of course, the real percentage is lower than this figure because other providers are rapidly increasing their speeds as well and serving more subscribers at those greater speeds. For example, Cablevision has just announced an increase in the speed of its Optimum Online Internet service to 25 Mbps downstream, up from 15 Mbps. See Jeff Baumgartner, *Cablevision Raises 'Flagship' Internet Tier Speed*, Multichannel News (June 23, 2015), <http://www.multichannel.com/news/broadband/cablevision-raises-flagship-Internet-tier-speed/391635>.

<sup>11</sup> The Applicants do not believe that broadband speeds at or above 25/3 Mbps, or wireline broadband services more generally, constitute separate relevant markets, or that 30% is a relevant threshold for market power for video or broadband. As discussed below, the emergence of broadband speeds at or above 25/3 Mbps—absent governmental regulation or other compulsion—demonstrates that the marketplace for broadband is robustly competitive, and that Internet service providers have every incentive to deliver the best possible service to consumers. We refer to the 25/3 Mbps threshold only because that delineation was an apparent reference point in the Comcast/Time Warner Cable transaction and to show that, even within that artificially narrow segment of the marketplace, this Transaction raises no concern.



Similarly, New Charter will serve only about 17% of multichannel video programming distributor (“MVPD”) subscribers nationwide, making it the third largest video provider behind Comcast (22%) and DirecTV (currently at 20%).

For all of these reasons, this Transaction strongly serves the public interest. The Applicants respectfully ask the Commission to approve the Transaction expeditiously.

## II. DESCRIPTION OF THE TRANSACTION

### A. Parties To The Application

#### 1. Charter Communications, Inc.

Charter is a leading communications company that provides broadband Internet, video, voice, and business services. As a result of extensive investment and a commitment to providing the best services, Charter now serves over 5.8 million residential customers and 386,000 commercial relationships. Domiciled in Delaware and headquartered in Stamford, Connecticut, Charter operates in 28 states and employs over 23,500 people.

Charter is committed to developing and deploying innovative broadband technology. Charter’s broadband Internet services offer an industry-leading minimum of 60+ Mbps to over [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] of its 4.8 million residential broadband customers.<sup>12</sup> Charter’s Internet download speeds for its fastest residential service reach up to 120 Mbps, and the company continually invests in improving its network and services. Charter was also recognized in 2014 as the nation’s fastest WiFi provider.<sup>13</sup> Its broadband services are also provided under customer-friendly terms. Charter

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<sup>12</sup> In St. Louis, Charter’s largest market, the slowest speed it sells is 100 Mbps. While a 60 Mbps or above broadband speed is the minimum speed marketed to approximately [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] of Charter subscribers, some have chosen not to take advantage of the faster speeds and remain on legacy service plans with slower speeds.

<sup>13</sup> See Allion Engineering Services USA, *Allion USA Internet Service Provider Gateway Competitive Analysis* at 11 (June 15, 2015).

offers its base 60 Mbps service at lower prices than its competitors, and does not impose data caps or engage in usage-based billing. Charter also does not impose extra fees such as modem fees, state or federal USF fees, E911 fees, subscriber line fees, or additional outlet fees.<sup>14</sup> Charter has invested in interconnection, and has not been involved in any major disputes over traffic management. It maintains a focus on ensuring the broadband user experience is a positive one.

Currently the seventh-largest MVPD in the United States, Charter serves 4.2 million residential Charter TV video customers over its all-digital network. It has recently unveiled “Worldbox”—an innovative set-top box that uses a downloadable security solution. Moreover, Charter is currently deploying its “Spectrum Guide”—a cloud-based user interface that enhances the consumer video service and can be accessed through both Worldbox and legacy two-way set-top boxes. Charter’s TV app offers over 150 live, linear channels, video on demand (“VOD”) and the ability to download VOD content for future playback. All these innovations enable Charter to improve the customer experience while reducing significantly its CPE input prices, which will reduce prices for consumers.

Charter’s suite of advanced services also includes voice service, which Charter provides to over 2.4 million residential customers via VoIP technology. Its voice services include unlimited long-distance calling in the United States, Canada, Puerto Rico, the U.S. Virgin Islands, and Guam. Calling features includes voicemail, call waiting, caller ID, call forwarding and more at no additional charge. In addition, the enhanced 911 feature automatically provides the emergency service operator with a caller’s phone number and location. For customers with video service, caller ID on TV is available in most areas at no additional charge.

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<sup>14</sup> Some Charter subscribers remain on legacy service plans that assess these kinds of charges. Charter does not offer these legacy plans to new customers, and customers on legacy plans are encouraged to move to new plans.



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Charter Business offers scalable, tailored, and cost-effective technology solutions for 386,000 commercial relationships. Charter Business services include data networking, broadband Internet, managed video and music services, wireless backhaul, and “last mile” fiber connectivity to commercial premises. Charter’s advertising sales and production services are sold under its Spectrum Reach brand.

Since the beginning of 2012, the company also has invested over \$5.5 billion in technology and infrastructure—a significant figure when compared with the company’s overall size, including its \$8.7 billion adjusted EBITDA<sup>15</sup> over the same period.<sup>16</sup> This sizable commitment to innovation and the deployment of broadband technology has led to Charter’s position within the industry as a technological and business leader. Its transition to a digital network has enabled it to increase its minimum speed offering from 1 Mbps downstream in 2011 to its present 60 Mbps offered to approximately **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** of its customers, to grow its HD channel line-up from fewer than 70 channels in 2011 to a present selection of over 200, to launch the innovative Spectrum Guide to a wide range of set-top boxes, and to grow its VOD library to thousands of choices. Although Charter is proud of this record of technological progress, the Transaction would enable New Charter to do far more for millions more subscribers. Charter therefore seeks increased scale and technological synergies to drive even more competitive and innovative broadband, video, and voice services.

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<sup>15</sup> Adjusted EBITDA is defined as net loss plus net interest expense, income tax expense, depreciation and amortization, stock compensation expense, loss on extinguishment of debt, gain (loss) on derivative instruments, net, and other operating expenses, such as merger and acquisition costs, special charges and (gain) loss on sale or retirement of assets.

<sup>16</sup> While we believe this figure is substantial, we note that New Charter will have an even greater ability to invest in technology and infrastructure due its increased scale. As Dr. Scott Morton explains, New Charter’s increased scale will enable us to justify more fixed-cost investments due to our increased subscriber base. See Dr. Scott Morton Decl. ¶¶ 6-16.

**2. Time Warner Cable Inc.**

Time Warner Cable delivers high-quality video, broadband, and voice services, reaching over 15 million customers across 30 states. In addition to its residential services, Time Warner Cable also offers enterprise services through its Time Warner Cable Business Services arm.

Time Warner Cable offers its customers high-quality, high-speed broadband, reaching approximately 11.7 million residential customers in 30 states across the country. Time Warner Cable also provides advanced cable services to approximately 10.8 million residential video customers, making it the fourth-largest MVPD in the United States, behind Comcast, DirecTV, and Dish Network. Currently, Time Warner Cable plans to convert to a 75% digital footprint by the end of 2016. The Transaction will speed and broaden this conversion to all-digital across the entire legacy Time Warner Cable footprint. This progress will enable a broader range of HD and VOD options, along with the reallocation of spectrum to broadband use. Finally, Time Warner Cable customers can access content across their devices by utilizing Time Warner Cable's TV apps, and via twctv.com.

Time Warner Cable delivers voice services to approximately 5.3 million residential customers, who have access to Digital Phone, an interconnected VoIP service, throughout Time Warner Cable's footprint. Time Warner Cable was the first multi-system operator to introduce a mass-market, facilities-based VoIP service. Its technologically advanced system also offers customers a web portal, VoiceZone, through which consumers can customize their service features, enable computer-based caller ID, block unwanted calls, and access their voicemail. Time Warner Cable offers unlimited local and long-distance calling throughout the United States and to Canada, Mexico, China, Hong Kong, India, and the U.S. territories.



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In some of its DMAs, Time Warner Cable owns and manages local news and lifestyle channels (including flagship Time Warner Cable News NY1).<sup>17</sup> These local channels broadcast a wide range of original, community-oriented programming that has garnered numerous awards. In addition, Time Warner Cable owns two regional sports networks (“RSNs”)—Time Warner Cable SportsNet and Time Warner Cable Deportes—which carry Los Angeles Lakers basketball games and other regional programming. Time Warner Cable also manages the distribution of SportsNet LA, which carries Los Angeles Dodgers games. Thirteen of Time Warner Cable’s 50 local channels include Division I college sports programming, and two other local channels carry some Spanish-language Major League Baseball broadcasts. Time Warner Cable possesses a 26.8% minority interest in SportsNet New York, and provides affiliate sales, ad sales, and production and technical services to SportsNet LA.<sup>18</sup> Time Warner Cable also has an attributable interest of 6.35% (together with Bright House Networks) in the national MLB Network and a 28.9% interest in the iN Demand programming service.

Time Warner Cable Business Services offers a broad range of communications and information technology solutions to more than 700,000 customers (more than 1.1 million primary service units), including small, medium, and enterprise businesses, schools, state and local governments, and other telecommunications providers. With more than [BEGIN  
HIGHLY CONFIDENTIAL] [END HIGHLY CONFIDENTIAL] on-net buildings  
(more than [BEGIN HIGHLY CONFIDENTIAL] [END HIGHLY  
CONFIDENTIAL] of which are served with fiber), Time Warner Cable offers video solutions, voice solutions, broadband Internet access, and Ethernet networking to its customers, and also delivers managed hosting and cloud computing services through its NaviSite operations. The

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<sup>17</sup> A list of Time Warner Cable’s programming interests is attached as Exhibit G.

<sup>18</sup> Time Warner Cable does not possess an ownership interest in SportsNet LA.

first U.S. provider to receive all eight Metro Ethernet Forum Carrier Ethernet 2.0 certifications, Time Warner Cable is the largest multi-system operator provider of Ethernet services. Time Warner Cable also offers cell tower backhaul services for the top 5 mobile network operators at over **[BEGIN HIGHLY CONFIDENTIAL]** **[END HIGHLY CONFIDENTIAL]** towers, and last-mile Ethernet access for other telecommunications providers.

In addition, Time Warner Cable sells video and online advertising to local, regional, and national customers by itself, through a consortium of cable companies under NCC Media, and through a number of local/regional interconnects that Time Warner Cable manages on behalf of itself and other cable operators.

Time Warner Cable also provides programming acquisition, network management, and maintenance services to Bright House Networks pursuant to a management agreement.

### **3. Advance/Newhouse Partnership**

The third Applicant, Advance/Newhouse Partnership, is the parent of Bright House Networks,<sup>19</sup> a highly-regarded broadband communications company delivering attractive video, high-speed data, home security, and voice services to approximately 2.5 million residential and business customers in six states—Florida, Alabama, Indiana, Michigan, California, and Georgia. Bright House Networks is the tenth-largest MVPD in the United States, with over 2 million video customers. Approximately 1.7 million of those customers are located in the growing central Florida region, which includes two of the top 20 DMAs, Orlando and Tampa Bay. Bright House Networks has a strong reputation for customer service in its burgeoning DMAs. It also

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<sup>19</sup> Advance/Newhouse currently holds 33.3% of Time Warner Entertainment-Advance/Newhouse Partnership (“TWE-A/N Partnership”), which in turn is the sole member of Bright House Networks. Time Warner Cable currently holds the other 66.67% of TWE-A/N Partnership. Advance/Newhouse, however, exclusively tracks the economic performance of Bright House Networks and has exclusive day-to-day management responsibility for and *de facto* control over the operation of the Bright House Networks systems. To facilitate and simultaneously with the transaction, the TWE-A/N Partnership will be restructured pursuant to the existing agreement among the parties, resulting in Advance/Newhouse being the sole member of Bright House Networks.



proudly offers a low-income broadband option (“Connect2Compete”) that partners with schools to provide a low cost Internet service, discounts on Internet-capable devices, and innovative digital literacy training. Bright House Networks also owns and operates award-winning local news and high school sports channels in Florida. It is the first cable operator in the United States to achieve a Cisco Master Service Provider Certification for delivery of the Cisco Cloud and Managed Service Program.

**B. The Transaction**

The proposed Transaction will combine Charter, Time Warner Cable, and Bright House Networks into a single company able to leverage the best aspects of each of the three participants. By combining Charter’s business strategy of investing in and offering high-quality services at competitive prices, Time Warner Cable’s operating momentum, and Bright House Networks’ strong reputation for customer care in growing, highly competitive service areas, the Transaction will deliver benefits to consumers and businesses throughout the country. Pursuant to the Transaction, Time Warner Cable stockholders will receive a combination of cash and stock that values Time Warner Cable at approximately \$78.7 billion, and Advance/Newhouse will receive a combination of cash and partnership units that values Bright House Networks at approximately \$10.4 billion. Upon the Transaction’s completion, the resulting company, “New Charter,” will serve approximately 23.9 million customers across 41 states.

As described below, there are three components to the Transaction, each of which is expected to occur simultaneously upon the closing.

*First*, Time Warner Cable will become a subsidiary of New Charter through a series of mergers. In the first of those mergers, shares of Time Warner Cable stock—other than those currently owned by Liberty Broadband and Liberty Interactive Corporation (collectively, “Liberty”)—will be converted into the right to elect to receive, for each share of Time Warner

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Cable stock, either (a) a combination of \$100 in cash and approximately 0.4891 shares of New Charter Class A common stock, or (b) a combination of \$115 in cash and approximately 0.4125 shares of New Charter Class A common stock. Liberty will, prior to that merger, contribute its shares of Time Warner Cable Stock to the merger subsidiary in exchange for shares of the merger subsidiary on a one-for-one basis, which will be converted into shares of surviving Time Warner Cable on a one-for-one basis in the merger. New Charter will assume the liability to disburse the cash component of the merger consideration to the surviving Time Warner Cable stockholders. Surviving Time Warner Cable will then merge into a subsidiary of New Charter, and the then-holders of Time Warner Cable stock will receive one share of New Charter Class A common stock in exchange for each share of Time Warner Cable stock.<sup>20</sup>

*Second*, Charter will merge with a merger subsidiary of New Charter, becoming a subsidiary of New Charter, and each then outstanding share of Charter Class A common stock will be converted into 0.9042 shares of New Charter. New Charter will assume the Charter name and its existing NASDAQ Stock Market ticker symbol (CHTR). Additionally, Liberty Broadband will contribute \$4.3 billion in cash to New Charter in exchange for shares of New Charter Class A common stock.<sup>21</sup>

*Third*, subject to separate conditions set forth in Charter's agreement with Advance/Newhouse, New Charter will acquire Bright House Networks, except for certain limited excluded assets and liabilities, from Advance/Newhouse for approximately \$10.4 billion, consisting of (a) approximately \$2 billion in cash, (b) one share of Class B common stock in

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<sup>20</sup> See Exh. B § 2.02(b).

<sup>21</sup> These shares will be issued at a price equivalent to an exchange ratio of \$176.95 per current Charter share, which represents Charter's closing price on May 20, 2015, the trading day on which Charter's offer to acquire Time Warner Cable was based.



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New Charter,<sup>22</sup> and (c) common and preferred units, valued at approximately \$8.4 billion, in a partnership that will be a New Charter subsidiary and that will hold all of Bright House Networks' assets, as well as assets of Charter and Time Warner Cable.<sup>23</sup> The preferred units will be convertible into common units of the partnership, and the common units will be exchangeable by Advance/Newhouse, in certain circumstances, for cash or, at the election of New Charter, New Charter Class A common stock, and, together with the partnership units, will represent approximately 13% to 14% of New Charter on an as-converted, as-exchanged basis.<sup>24</sup>

In connection with the Bright House Networks' portion of the Transaction, Liberty Broadband will contribute an additional \$700 million in cash (for a total of \$5 billion, including the \$4.3 billion noted above) in exchange for shares of New Charter Class A common stock.<sup>25</sup> As a result of its investments, Liberty Broadband will own approximately 18% to 19% of New Charter (with additional voting rights pursuant to a proxy granted by Advance/Newhouse and a proxy granted by Liberty Interactive Corporation).<sup>26</sup>

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<sup>22</sup> New Charter will also receive nominal consideration in exchange for the issuance of Class B common stock, which will represent Advance/Newhouse's voting interest in New Charter on an as-converted, as-exchanged basis.

<sup>23</sup> These partnership units consist of (i) exchangeable common units valued at approximately \$5.9 billion and (ii) convertible preferred units with a face amount of \$2.5 billion, which will pay a 6% coupon. The one share of Class B common stock held by Advance/Newhouse will be economically equivalent to Class A common stock but will initially possess a number of votes reflecting the voting power of the common units and the convertible preferred units held by Advance/Newhouse on an as-converted, as-exchanged basis.

<sup>24</sup> An "as-converted, as-exchanged basis" assumes that all of the partnership units held by Advance/Newhouse are converted into Class A common stock of New Charter.

<sup>25</sup> The shares will be issued at a price per share of (i) if the mergers are consummated prior to the BHN transactions, \$172.9963 divided by the Parent Merger Exchange Ratio, which is equal to approximately 3.66 million shares of New Charter Class A common stock, or (ii) if the mergers are not consummated prior to the completion of the BHN transactions, \$172.9963, which is equal to approximately 4.05 million shares of Charter Class A Common Stock.

<sup>26</sup> By virtue of its exchange of Time Warner Cable shares, *see* discussion *supra* note 22, Liberty Interactive Corporation will receive approximately 1.7% to 1.9% of New Charter stock. Liberty Interactive has entered into a proxy agreement with Liberty Broadband under which Liberty Broadband will vote Liberty Interactive's New Charter shares.

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Upon completion of the Transaction, majority ownership—67% to 69%<sup>27</sup> on an as-converted, as-exchanged basis—of New Charter will be publicly held, and a majority of the 13-person board will not be nominated by either Advance/Newhouse (which will nominate two board members at closing) or Liberty Broadband (which will nominate three board members at closing). Tom Rutledge, New Charter's President and CEO, will hold a board seat and will be offered the position of Chairman and CEO of New Charter. New Charter will be the third-largest MVPD behind AT&T-DirecTV and Comcast, assuming the AT&T-DirecTV merger is consummated. We will own and/or manage systems serving approximately 19.4 million broadband customers, 17.3 million video customers, and 9.4 million voice customers across 41 states.

### III. THE COMMISSION'S PUBLIC INTEREST STANDARD

Under Sections 214(a) and 310(d) of the Communications Act, the Commission will approve the transfer of control of authorizations and licenses if the Applicants show that it would not violate any statute or rule, and that it would serve the “public interest, convenience and necessity.”<sup>28</sup> To apply the “public interest” standard, the Commission balances a transfer's

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<sup>27</sup> These percentages are based on stock outstanding as of June 10, 2015.

<sup>28</sup> 47 U.S.C. §§ 214(a), 310(d); see, e.g., *Applications for Consent to the Transfer of Control of Licenses and Section 214 Authorizations from MediaOne Group, Inc., Transferor, to AT&T Corp., Transferee*, Memorandum Opinion and Order, 15 FCC Rcd 9816, 9820 ¶ 8 (2000) (“AT&T-MediaOne Order”); *Applications of SOFTBANK CORP., Starburst II, Inc., Sprint Nextel Corp., and Clearwire Corp. for Consent to Transfer Control of Licenses and Authorizations; Petitions for Reconsideration of Applications of Clearwire Corp. for Pro Forma Transfer of Control*, Memorandum Opinion and Order, Declaratory Ruling, and Order on Reconsideration, 28 FCC Rcd 9642, 9650–51 ¶ 23 (2013) (“Softbank-Sprint Order”); *Applications of AT&T Inc. and Atlantic Tele-Network, Inc. for Consent To Assign or Transfer Control of Licenses and Authorizations*, Memorandum Opinion and Order, 28 FCC Rcd 13,670, 13,677–78 ¶ 12 (2013); *Applications Filed for Transfer of Control of Insight Commc'ns Co. to Time Warner Cable Inc.*, Memorandum Opinion and Order, 27 FCC Rcd 497, 499–500 ¶ 7 (2012) (“Insight-Time Warner Cable Order”); *Applications filed by Qwest Commc'ns Int'l Inc. and CenturyTel, Inc. d/b/a CenturyLink for Consent to Transfer of Control*, Memorandum Opinion and Order, 26 FCC Rcd 4194, 4198–99 ¶ 7 (2011) (“CenturyLink-Qwest Order”); *Applications for Consent to the Assignment and/or Transfer of Control of Licenses from Adelphia Commc'ns Corp. (and Subsidiaries, Debtors-In-Possession), Assignors, to Time Warner Cable Inc. (Subsidiaries), Assignees, Adelphia Commc'ns Corp. (and Subsidiaries, Debtors-In-Possession), Assignors and Transferors, to Comcast Corp. (Subsidiaries), Assignees and Transferees*, Memorandum Opinion and Order, 21 FCC Rcd 8203, 8217–18 ¶ 23 (2006) (“Adelphia Order”).



potential public interest benefits against its potential harms, and will accept a lesser showing of benefits when harms appear less likely or less substantial.<sup>29</sup> The transaction review process is intended to focus on transaction-specific harms and benefits, and is not a proper vehicle through which to address pre-existing disputes or broader, unresolved issues of communications policy.<sup>30</sup> Thus, as the Commission has held in the past, absent material market overlap or other transaction-specific concerns, a summary explanation of a transaction's benefits will satisfy the Communications Act's transaction-specific public interest standards.<sup>31</sup>

#### **IV. THE TRANSACTION WILL PRODUCE SUBSTANTIAL PUBLIC INTEREST BENEFITS**

Through this Transaction, the Applicants will deliver a range of substantial, recognized public interest benefits. We will do so by (i) extending Charter's broadband-focused, highly pro-customer model to millions of new customers, while deploying the best that each Applicant has to offer in broadband, video, and voice technology; (ii) delivering superior services at competitive prices; and (iii) ensuring these services are at the cutting edge of innovation. These benefits will flow from the incentives and abilities that New Charter will possess because of the Transaction. To ensure these benefits are realized, we make the following commitments:

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<sup>29</sup> *Applications of AT&T Inc. & Cellular S., Inc. for Consent To Assign Licenses Covering Parts of Alabama, Georgia, and Tennessee*, Memorandum Opinion and Order, 28 FCC Rcd 12,328, 12,335 ¶ 16 (2013); *Applications of AC BIDCO, LLC, GOGO Inc., & LIVETV, LLC for Consent To Assign Commercial Aviation Air-Ground Radiotelephone (800 MHz band) License, Call Sign WQFX729*, Memorandum Opinion and Order, 28 FCC Rcd 3362, 3370 ¶ 23 (2013) ("AC BIDCO Order").

<sup>30</sup> See, e.g., *Applications of Comcast Corp., Gen. Elec. Co., & NBCUniversal, Inc., for Consent to Assign Licenses and Transfer Control of Licenses*, Memorandum Opinion and Order, 26 FCC Rcd 4238, 4313 ¶ 180 & n.471 (2011) ("Comcast-NBCU Order"); Jon Sallet, General Counsel of the FCC, *FCC Transaction Review: Competition and the Public Interest*, OFFICIAL FCC BLOG (Aug. 12, 2014, 12:39 PM), available at <http://www.fcc.gov/blog/fcc-transaction-review-competition-and-public-interest>.

<sup>31</sup> See, e.g., *Softbank-Sprint Order* 28 FCC Rcd at 9682 ¶ 102; *AC BIDCO Order*, 28 FCC Rcd at 3370-71 ¶ 25; *Insight-Time Warner Cable Order*, 27 FCC Rcd at 507-08 ¶¶ 23-24.

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- Within 4 years of close, New Charter will invest at least \$2.5 billion in the build-out of networks into commercial areas within our footprint beyond where we currently operate. This will create additional, much-needed competition in the commercial sector.<sup>32</sup>
- Within 4 years of close, we will build out one million line extensions of our networks to homes in our franchise areas. These new facilities will either provide service to currently unserved areas or will increase competition with existing providers.<sup>33</sup>
- Within 4 years of close, New Charter will increase competition in the mobile data market by deploying over 300,000 out-of-home WiFi access points.<sup>34</sup>
- Recognizing the importance of an open Internet to the flourishing market for broadband services, New Charter will not block or throttle Internet traffic or engage in paid prioritization, as defined in the *Open Internet Order*.<sup>35</sup> These commitments will continue for three years, without regard to the outcome of the ongoing litigation challenging reclassification.<sup>36</sup>
- Recognizing the concerns that led to the FCC’s adoption of a “general conduct” complaint process in that Order, New Charter will not engage in the actions listed below that prompted those concerns.<sup>37</sup> Charter will not charge consumers additional fees to use specific third-party Internet applications, and Charter necessarily will not engage in zero-rating (discriminatory exemptions from a data cap), as Charter does not impose data caps and has

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<sup>32</sup> See Declaration of Mr. Christopher L. Winfrey, Chief Financial Officer and Executive Vice President of Charter ¶ 37 (June 24, 2015) (“Winfrey Decl.”).

<sup>33</sup> See Winfrey Decl. ¶ 38.

<sup>34</sup> See *id.*

<sup>35</sup> The Applicants intend to adhere to the Commission’s definitions of these terms. See *Protecting and Promoting the Open Internet*, Report and Order on Remand, Declaratory Ruling and Order, FCC 15-24, ¶¶ 111-132 (Mar. 12, 2015) (“*Open Internet Order*”).

<sup>36</sup> See *U.S. Telecom Ass’n v. FCC*, Order, No. 15-1063 (June 11, 2015) (denying motion for stay). See also Winfrey Decl. ¶ 40.

<sup>37</sup> See *Open Internet Order*, ¶¶ 151-153.



committed not to do so. These commitments will continue for three years, without regard to the outcome of the ongoing litigation challenging the general conduct rule.<sup>38</sup>

- Recognizing the concerns that led to the FCC's adoption of a case-by-case approach for interconnection disputes in the *Open Internet Order*, New Charter will continue to engage in reasonable and non-discriminatory interconnection and submit any interconnection disputes to the FCC for resolution on a case-by-case basis, in line with the *Open Internet Order*.<sup>39</sup>

This commitment will continue for three years, without regard to the outcome of ongoing litigation challenging the FCC's interconnection framework in the *Open Internet Order*.<sup>40</sup>

- New Charter will make comprehensive and significant investments in its broadband capabilities. New Charter will transition Time Warner Cable and Bright House Networks' cable systems to all-digital networks within 30 months of the close of the Transaction.<sup>41</sup>

This will enable the combined company to reallocate network capacity for broadband use such that substantially all<sup>42</sup> customers will be able to take advantage of at least 60 Mbps download speeds, and to improve the video product by adding significantly more HD and on-demand options.<sup>43</sup>

- Within twelve months of closing, New Charter will market services consistent with Charter's current packaging and pricing strategies, including its base 60 Mbps broadband service, to consumers in Time Warner Cable and Bright House Networks' areas where the cable systems are all-digital at closing. In Time Warner Cable and Bright House Networks'

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<sup>38</sup> See Winfrey Decl. ¶ 41.

<sup>39</sup> See *Open Internet Order*, ¶¶ 202-206.

<sup>40</sup> See Winfrey Decl. ¶ 42.

<sup>41</sup> It is possible that systems serving fewer than 1% of homes may not be taken all-digital due to the challenges in interconnecting to the remaining New Charter network.

<sup>42</sup> See discussion *supra* note 41.

<sup>43</sup> See Winfrey Decl. ¶ 43.